

SCHAFER GROUP, LTD.

2129

**FUNDS ON DEPOSIT WITH THE
CLERK OF COURT
OF THE SECOND CITY COURT
OF THE CITY OF NEW ORLEANS**

**FINANCIAL STATEMENTS
FOR THE REGISTRY OF COURT FUND AND
GARNISHMENT DEPOSIT FUND
FOR THE YEAR ENDING
DECEMBER 31, 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-4-04

**CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY COMPANY**

**FUNDS ON DEPOSIT WITH THE
CLERK OF COURT OF THE SECOND CITY COURT
OF THE CITY OF NEW ORLEANS
REGISTRY OF COURT FUND AND GARNISHMENT DEPOSIT FUND
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I.

Independent Auditor's Report

Martin L. Broussard,
Clerk of Court
Second City Court of the City of New Orleans

We have audited the accompanying balance sheets of the Registry of Court Fund and Garnishment Deposit Fund maintained by the Clerk of the Second City Court of the City of New Orleans, as of December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the Clerk of the Second City Court of the City of New Orleans. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the activities of the Registry of Court Fund and Garnishment Deposit Fund maintained by the Clerk of the Second City Court and are not intended to, do not purport to, and do not present fairly the financial position and results of operations and changes in financial position of the Clerk of Court of the Second City Court of the City of New Orleans or of any other governmental unit.

In our opinion, the balance sheets referred to above present fairly, in all material respects, the respective financial position of the Registry of Court Fund and Garnishment Deposit Fund

maintained by the Clerk of the Second City Court of the City of New Orleans, as of December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the Clerk of Second City Court of the City of New Orleans has implemented a new financial reporting model as required by the provisions of GASB Statement 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as of December 31, 2003 as it applies to the financial reporting on the Registry of Court Fund and the Garnishment Deposit Fund of the Clerk of Second City Court of the City of New Orleans.

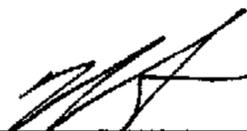
The management’s discussion and analysis in Section II is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of determination and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated June 23, 2004, on our consideration of Clerk of Second City Court’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Statements of Changes in Fiduciary Liabilities of the Registry of Court Fund and the Garnishment Deposit Fund, as presented in Sections XI and XII, respectfully, are presented for purposes of supplementary analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sincerely,

Schafer Group, LTD., LLC



Kernion T. Schafer, CPA
Managing Member

June 23, 2004

**SECOND CITY COURT OF THE CITY OF NEW ORLEANS
MANAGEMENT DISCUSSION AND ANALYSIS
REGISTRY OF COURT FUND AND GARNISHMENT DEPOSIT FUND
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003**

This discussion and analysis of the Registry of Court Fund and Garnishment Deposit Fund of the Second City Court of the City of New Orleans provides an overview of the financial activities of the two above funds for the year ended December 31, 2003.

Financial Highlights

Both the Registry of Court Fund and Garnishment Deposit Fund are fiduciary (agency) funds maintained by the clerk of the Second City Court of the City of New Orleans. The assets in each fund equal the liabilities in each fund. Assets consist entirely of cash on deposit in banks or being held for deposit. These funds are operated the same as they have in previous years. The Funds are custodial in nature and do not involve measurement of the results of operations. The Funds use the modified accrual basis of accounting. There are no budgets prepared for either of these funds because the change in liabilities are determined entirely by the legal filings with and deposit requirements determined on a case by case basis by the Second City Court during the year.

Overview of the Financial Statements

The annual report consists of balance sheets of the two funds and a supplementary schedule of the changes in fiduciary liabilities on both the funds. It does not present information on the Orleans Parish Judicial Expense Fund nor does it provide a government wide perspective of the Second City Court of the City of New Orleans.

The balance sheets provide information only on each of the two funds controlled by the Clerk of Second City Court of the City of New Orleans and the supplementary information only provides information on each fund.

The Registry of Court Fund is used as a depository for all collections by the Clerk of Second City Court. Amounts collected for the Orleans Judicial Expense Fund and the Garnishment Deposit Fund are transferred monthly and quarterly, respectfully. It also serves as a depository for funds ordered by the court to be held until judgment has been rendered in litigation. The cash balance in this fund at year-end 2003 was \$22,848, of which \$15,264 is due to the Judicial Expense Fund, \$1,470 is due to the Garnishment Deposit Fund, \$110 is due to the Capital Improvement Fund and \$6,004 is on deposit in unsettled litigation. The Fiduciary Liabilities at the beginning of the year was \$26,509 and at the end of the year was \$22,848, for a net reduction in fiduciary liabilities of \$3,661.

The Garnishment Deposit Fund is used as a depository for funds deposited on behalf of the attorney of an employer by a plaintiff in order to pay for the attorney's fees in answering any interrogatories. The cash balance in this fund at year-end 2003 was \$27,384, \$1,470 was due from the Registry of Court Fund. \$211 is due to the Capital Improvement Fund and \$28,643 is on deposit and due in unsettled litigation. The fiduciary liabilities at the beginning of the year were \$27,357 and at the end of the year was \$28,854, for a net increase in fiduciary liabilities of \$1,497.

Interest earnings on monies deposited in these two funds are transferred annually to the Capital Improvement Fund for use by the City Court in its capital expenditures.

The Notes to the Financial Statements provide additional information that is essential for a full understanding of the data provided in the fund financial statements.

This financial report is designed to provide a general overview of the operations of the Registry of Court Fund and the Garnishment Deposit Fund of the Clerk of Second City Court of the City of New Orleans for those who have an interest in the finances of these two funds. If you have any questions about this report or need additional information, contact Mr. Marty Broussard, Clerk of Second City Court of the City of New Orleans, at 225 Morgan St, Algiers, LA 70114.

**FUNDS ON DEPOSIT WITH THE
CLERK OF COURT OF THE SECOND CITY COURT
OF THE CITY OF NEW ORLEANS
REGISTRY OF COURT FUND
BALANCE SHEET
DECEMBER 31, 2003**

Assets

Cash	\$ <u>22,848</u>
Total Assets	\$ <u>22,848</u>

Liabilities

Due to Judicial Expense Fund	\$ 15,264
Due to Garnishment Deposit Fund	1,470
Due to Capital Improvement Fund	110
Unsettled Deposits	<u>6,004</u>
Total Liabilities	\$ <u>22,848</u>

The accompanying notes are an integral part of these statements.

**FUNDS ON DEPOSIT WITH THE
CLERK OF COURT OF THE SECOND CITY COURT
OF THE CITY OF NEW ORLEANS
GARNISHMENT DEPOSIT FUND
BALANCE SHEET
DECEMBER 31, 2003**

Assets

Cash	\$ 27,384
Due from Registry of Court Fund	<u>1,470</u>
Total Assets	<u>\$ 28,854</u>

Liabilities

Due to Capital Improvement Fund	\$ 211
Unsettled Deposits	<u>28,643</u>
Total Liabilities	<u>\$ 28,854</u>

The accompanying notes are an integral part of these statements.

**FUNDS ON DEPOSIT WITH THE
CLERK OF COURT OF THE SECOND CITY COURT
OF THE CITY OF NEW ORLEANS
REGISTRY OF COURT FUND AND GARNISHMENT DEPOSIT FUND
Notes to the Financial Statements
For the Year Ended December 31, 2003**

INTRODUCTION

As provided by Article V, Section 28 of the Louisiana Constitution of 1974, the Clerk of Court serves as the ex-officio notary public, the recorder of conveyances, mortgages, and other acts, and other duties and powers provided by law. The Clerk of Court is elected for a four-year term.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying balance sheets of the Registry of Court Fund and Garnishment Deposit Fund maintained by the Clerk of Second City Court of the City of New Orleans have been prepared in conformity with U. S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

The Clerk of Second City Court is an independently elected official, however, the Clerk of Second City Court is fiscally dependent on the Orleans Parish Judicial Expense Fund. All revenues of the Second City Court are collected by the Clerk and transferred monthly to the Orleans Parish Judicial Expense Fund. The Orleans Parish Judicial Expense Fund maintains and operates the parish courthouse in which the Clerk of Court's office is located and provides funds for operating expenses and equipment and furniture of the Clerk of Court's office. Because the Clerk of Court is fiscally dependent on the Orleans Parish Judicial Expense Fund, the Clerk of Court was determined to be a component unit of the Orleans Parish Judicial Expense Fund, the financial reporting entity.

The accompanying financial statements and supplementary information present information only on the Registry of Court Fund and Garnishment Deposit Fund maintained by the Clerk of Court of the Second City Court of the City of New Orleans and do not present information on the Orleans Parish Judicial Expense Fund, the general government services provided by that governmental unit, or any other governmental unit(s) that comprise the financial reporting entity.

**FUNDS ON DEPOSIT WITH THE
CLERK OF COURT OF THE SECOND CITY COURT
OF THE CITY OF NEW ORLEANS
REGISTRY OF COURT FUND AND GARNISHMENT DEPOSIT FUND
Notes to the Financial Statements
For the Years Ended December 31, 2003**

C. FUND ACCOUNTING AND BASIS OF ACCOUNTING

The Clerk of Court uses fund accounting to report on its financial position and changes in fiduciary liabilities. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts

Funds of the Clerk of Court are classified as fiduciary (agency) funds. These funds are described as follows:

Fiduciary Funds - Agency Funds

The Registry of Court and Garnishment Deposit Funds account for assets held by the Clerk and Second City Court as an agent for others. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently the agency funds have no measurement focus, and use the modified accrual basis of accounting.

D. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, time deposits, and investments with original maturities of 90 days or less. Under state law, the Clerk of Court may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

2. FIDUCIARY FUNDS - AGENCY FUNDS

REGISTRY OF COURT FUND

All amounts collected by the Clerk are deposited in the Registry of Court Fund. Amounts collected on behalf of the Orleans Parish Judicial Expense Fund and the Garnishment

**FUNDS ON DEPOSIT WITH THE
CLERK OF COURT OF THE SECOND CITY COURT
OF THE CITY OF NEW ORLEANS
REGISTRY OF COURT FUND AND GARNISHMENT DEPOSIT FUND
Notes to the Financial Statements
For the Years Ended December 31, 2003**

Deposit Fund is transferred monthly and quarterly respectively. The Registry of Court Fund, as provided by Louisiana Revised Statute 13:475, also accounts for funds that have been ordered by the court to be held until judgment has been rendered in court litigation. Withdrawal of these funds can be made only upon order of the court.

GARNISHMENT DEPOSIT FUND

The Garnishment Deposit Fund, as provided by Louisiana Revised Statute 13:3927, provides that whenever a plaintiff suing out a writ of garnishment shall apply to the court for the issuance of such a writ, the plaintiff shall deposit with the court the sum of fifteen dollars, as a fee for the attorney for the employer who answers such interrogatories.

2. INTEREST EARNINGS

As authorized by Louisiana Revised Statute 13:2165, interest earnings on all monies collected by the City Court is to be used for capital expenditures of the City Court. Interest earnings are transferred annually to the Capital Improvement Fund for that purpose.

3. IMPLEMENTATION OF GASB STATEMENT 34

As of the year ending December 31, 2003, the Clerk of Second City Court of the City of New Orleans implemented the requirements of GASB Statement 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. This statement requires that management include a discussion and analysis as supplementary information to the basic financial statements. This has been included in Section II of the Financial Statements. The remainder of the Financial Statements is being prepared as in past years because they meet the requirements of GASB Statement 34 as it pertains to reporting on these two funds.

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VI.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

To the Honorable Martin Broussard, Clerk
Second City Court for the Parish of Orleans

We have audited the balance sheets of the Registry Court Fund and Garnishment Deposit Fund (agency funds) maintained by the Clerk of Court of the Second City Court of the City of New Orleans as of December 31, 2003 and for the year then ended, and has issued our report thereon dated June 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the afore mentioned agency funds maintained by the Clerk of Court of the Second City Court of the City of New Orleans's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that would be required to be reported under *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clerk of Second City Court's internal control over financial reporting of the afore mentioned agency funds in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements as a whole and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended solely for the information and use of the Clerk of Court of the Second City Court of the City of New Orleans and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specific parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Sincerely,

Schafer Group, LTD., LLC



Kernion T. Schafer, CPA
Managing Member

June 23, 2004

**CLERK OF COURT OF THE SECOND CITY COURT
OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

As of and for the Year Ended December 31, 2003

None

**CLERK OF COURT OF THE SECOND CITY COURT
OF THE CITY OF NEW ORLEANS**

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2003**

MANAGEMENT'S RESPONSE

Findings and Questioned Costs

None

Management Letter

Suggestion 2003-1

Management stated that the necessary transfers will be done as soon as possible.

Suggestion 2003-2

Management stated that they will investigate the outstanding checks over one year old, void the ones that need to be voided and issue new checks if necessary.

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IX.

Honorable Martin L. Broussard, Clerk
Second City Court for the Parish of Orleans

MANAGEMENT LETTER

We have audited the Balance Sheets off the Registry of Court Fund and Garnishment Deposit Fund (agency funds) maintained by the Clerk of Court for the Second City Court of the City of New Orleans as of December 31, 2003, and have issued our report thereon dated June 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States

As a part of our examination, we have issued our report on the balance sheets, dated June 23, 2004, and our report on internal control and compliance with laws, regulations, and contracts, dated June 23, 2004.

During the course of our examination, we became aware of the following matter, which represents immaterial deviations of compliance or suggestions for improved internal controls.

Suggestion 2003-1:

We noted that the funds collected for the Garnishment Deposit Fund for January, February and March of 2003 were deposited in the Registry Court Fund and when scheduled to be transferred to the Garnishment Deposit Fund in April 2003, these funds were not transferred. We suggest that these funds be transferred to the Garnishment Deposit Fund as soon as possible.

Suggestion 2003-2:

We noted that there are outstanding checks over one year old. We suggest that you or someone from your office inquire of the persons or companies to whom the checks were written if they have any knowledge of the checks and why they have not been cashed. If these checks cannot be traced by the persons or companies to whom they were issued, the checks should be voided, a stop payment issued by the bank if needed, and new checks reissued.

We recommend management address the foregoing issues as an improvement to operations and the administration of public programs. We are available to further explain the suggestion or help implement the recommendation.

Sincerely,
Schafer Group, LTD., LLC



Kernion T. Schafer, CPA
Managing Member

**CLERK OF COURT OF THE SECOND CITY COURT
OF THE CITY OF NEW ORLEANS
UPDATE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2003**

The December 31, 2002 included findings and questions costs as follows:

02-1 Delinquent Filing

Condition: Annual Audit Reports were not filed with the Legislative Auditor for the Registry of Court Fund and Garnishment Deposit Fund.

Effect: The audit reports for the afore mentioned funds for the years ended December 31, 2002, 2001, 2000, 1999, 1998, 1997 and 1996 were delinquent since the were not completed within six months after the end of the year as required by state law.

Cause: The audits for the years ended December 31, 2002, 2001, 2000, 1999, 1998, 1997 and 1996 were not scheduled until 2003.

Recommendation: We recommend that audits be scheduled to begin shortly after the end of each fiscal year.

Management's response was as follows:

MANAGEMENT'S RESPONSE

Findings and Questioned Costs

02-1: Delinquent Filing

In the past, personnel from the Judicial Expense Fund would perform a periodic inspection of our records. I only recently learned that an annual filing was required with the Legislative Auditor. Immediately upon learning of this requirement, I arranged to have an audit of all years subsequent to 1995 (the last audit filed with the Legislative Auditor). For subsequent years, annual audits will be scheduled to allow future timely filings.

UPDATE OF PRIOR YEAR FINDINGS

Management scheduled an Annual Audit of the Registry of Court Fund and Garnishment Deposit Fund, which was submitted to the Legislative Auditor prior to June 30, 2004.

**FUNDS ON DEPOSIT WITH THE
CLERK OF COURT OF THE SECOND CITY COURT
OF THE CITY OF NEW ORLEANS
REGISTRY OF COURT FUND
STATEMENT OF CHANGES IN FIDUCIARY LIABILITIES
YEAR ENDED DECEMBER 31, 2003**

Liabilities at Beginning of Year	<u>\$ 26,509</u>
 <u>Additions</u>	
Court Costs, charges and fees collected	243,433
Less: Court Costs, charges and fees refunded	(4,234)
Constable and transcript fees collected	430
Garnishment Deposits	2,700
Interest earnings	110
Collections on behalf of litigants or upon court order	8,369
Other additions	<u>-</u>
 Total Additions	 <u>250,808</u>
 <u>Reductions</u>	
Fees, court costs, charges and interest earnings distributed to Judicial Expense Fund	238,372
Constable & Transcript Fees Paid	430
Garnishment Deposits distributed to the Garnishment Deposit Fund	1,605
Payments to litigants or per court order	13,724
Transfers to Capital Improvement Fund	106
Other Reductions	<u>232</u>
 Total Reductions	 <u>254,469</u>
 Liabilities at End of Year	 <u>\$ 22,848</u>

See auditors' report.

**FUNDS ON DEPOSIT WITH THE
CLERK OF COURT OF THE SECOND CITY COURT
OF THE CITY OF NEW ORLEANS
GARNISHMENT DEPOSIT FUND
STATEMENT OF CHANGES IN FIDUCIARY LIABILITIES
YEAR ENDED DECEMBER 31, 2003**

Liabilities at Beginning of Year	\$ <u>27,357</u>
 <u>Additions</u>	
Garnishment Deposits	2,700
Interest Earnings	211
Other Additions	<u>-</u>
 Total Additions	 <u>2,911</u>
 <u>Reductions</u>	
Interest earnings distributed to the Judicial Expense Fund	319
Garnishment Deposit Distributions To respondents and refunds	<u>1,095</u>
 Total Reductions	 <u>1,414</u>
 Liabilities at End of Year	 \$ <u>28,854</u>

See auditors' report.